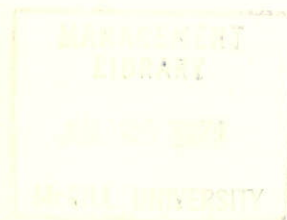


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**First
Quarter Report
Diversified
Investment Funds
January 1 to
March 31, 1974**





The Diversified Investment Funds

The Diversified Investment Funds were established January 1, 1967 and are operated for the collective investment and reinvestment of non-taxable monies. The Funds are fully managed by International Trust Company and consist of four separate investment portfolios: the Canadian Equity Fund; the International Equity Fund; the Fixed Income Fund; and the Mortgage Fund.

Additions to, or withdrawals from, each Fund, or inter-Fund transactions, are effected on monthly valuation dates at net asset value. Income earned is distributed monthly.

This Report is concerned primarily with investment composition and performance.

People have undoubtedly become somewhat hardened to high rates of change in recent years so that large numbers may not receive the respect they deserve. For instance, some of the quite impressive results reported in the National Income Accounts for 1973 are worth repeating and emphasizing even though they have been widely reported. It is quite startling to note for example, that the increase of \$15.3 billion in GNP in 1973 was almost equal to the entire value of Gross National Product 25 years ago. In 1948 Canadian GNP stood at \$15.5 billion.

The 1973 rate of increase was close to 15% and was the biggest gain since the early 1950's when the economy was stimulated by rapidly rising prices of the Korean War period. The value of GNP in 1973 was \$118.7 billion. Back in 1967, when the country was 100 years old, GNP equalled \$66 billion, and if our forecast for 1974 turns out to be near the mark, it will be almost double this amount this year. Put another way, the economy grew by the same value in the last seven years as it did in its first 100 years.

Consumer spending continued to feature the economy in 1973 as it has during the entire recovery from the 1970 recession. Personal expenditure was up 14.6% and accounted for almost 58% of the rise in GNP. Much has been made of the high rate of inflation, and indeed rapidly rising prices were a feature of the 1973 economic results, but the rate of real growth was also substantial.

In real terms, consumer spending was up 8.6% in 1973 and this followed a real growth of 7.8% in 1972 and 5.5% in 1971. It was the best year on this score since 1955.

Interestingly enough, this high rate of consumer spending continued despite surveys showing declines in consumer confidence. It was, of course, stimulated by high and rising consumer incomes. Consumer spending in 1973 rose more rapidly than personal disposable income, and as a result, the savings ratio declined from 7.7% in 1972 to 7.4% in 1973. This is still a high level by historical standards, or in comparison to other countries.

Moreover, savings should remain high in 1974, providing support for consumer spending this year. The continuing 5% reduction in personal income taxes and the indexing of the personal income tax structure and certain social security benefits should mean another good increase in personal disposable income.

Spending on durable goods was particularly strong in 1973, with about one-third of the 20% increase being on automobiles. What is significant in this category is that the price increase was only 1.5% so that the volume gain was a healthy 18.4%, which might be compared to 14.2% in 1972. With these rates of real growth it is no wonder the resources of the big goods producing industries have become strained.

Consumers not only spent heavily on durables in 1973, they also invested strongly in housing. This latter sector had been strong in 1971 and 1972, and in 1973 was up 21%. Even in real terms the gain was an impressive 11%.

It seems quite apparent that the combination of strong demand, scarce supply and rising prices should stimulate businessmen to build additional plant and equipment. After six years of relatively low outlays, 1973 saw an increase of 18% in value, and roughly 12% in volume, and this should continue in 1974. In fact, it seems logical to expect capital spending to continue to rise for the next several years and we could again witness the boom levels of the mid sixties when non residential construction was rising at rates between 20%-25%.

Even in 1973 capital spending as a proportion of GNP showed only a modest increase and it had been declining since 1966.

Canada's foreign trade, heavily weighted by such basic materials as lumber, crude oil, wood pulp and metals increased smartly in 1973. Exports rose almost 25% but prices were up so sharply, 16.5%, that the real growth was only 7%, actually below the volume increase of 8.8% experienced in 1972.

Imports were almost the opposite in 1973. The volume increase was roughly 14% and the price increase was 9.6%. This same general pattern seems likely to prevail in 1974.

In general we expect the real growth of the Canadian economy to be around 4.5%-5.0% in 1974. Perhaps somewhat optimistically we are forecasting the change in Gross National Product prices at 7%, just fractionally below the 1973 result. This would yield a total growth of approximately 12% and put GNP up to \$133 billion. Although this is a lower rate than 1973, it would still be quite an impressive year.

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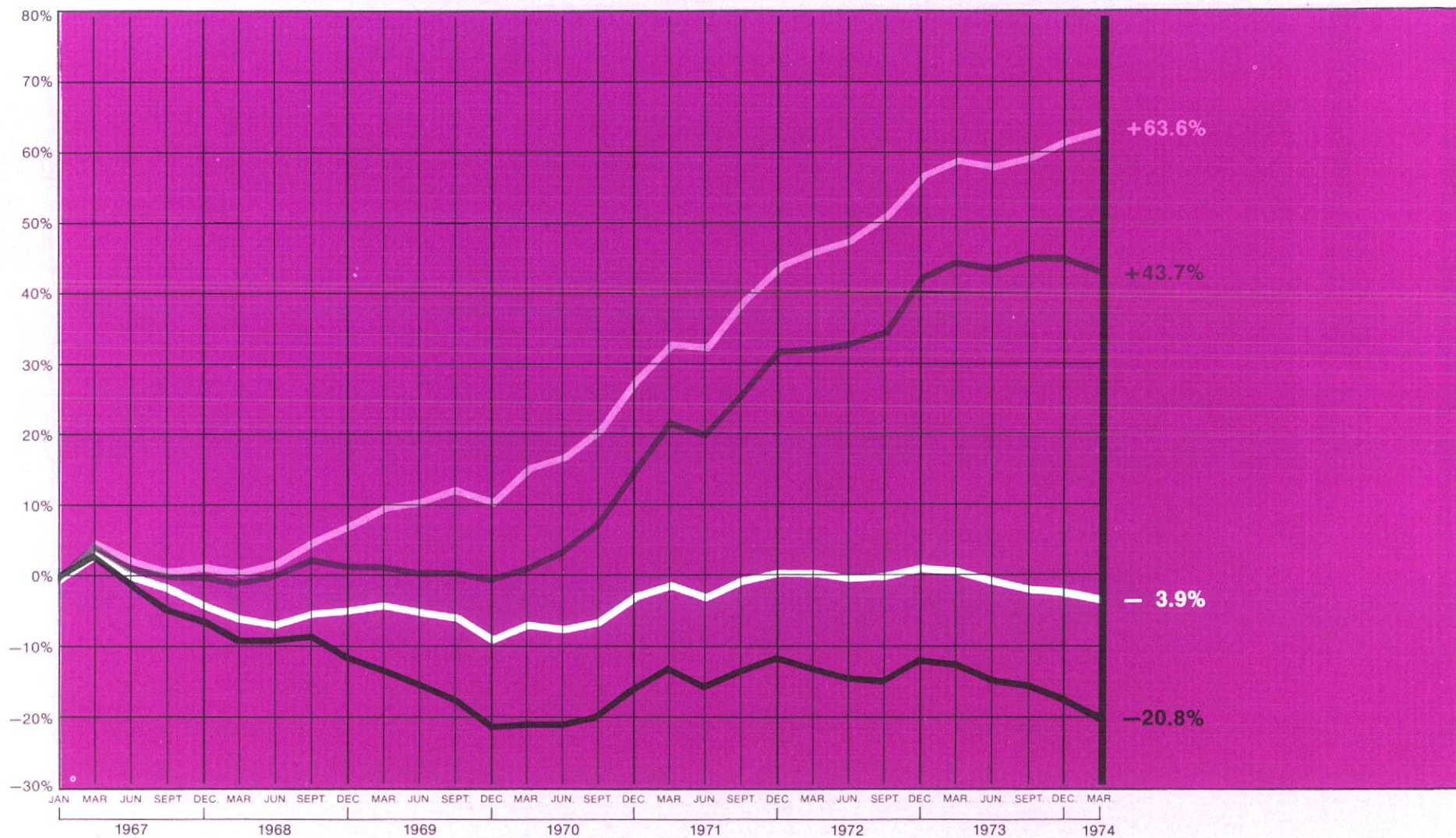
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Fixed Income Fund

Comparisons between	GRAPH COLOUR	VALUE MAR. 31/74	VALUE DEC. 31/73	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Fixed Income Fund	□	\$ 9.61	\$ 9.71	-1.1%	- 3.9%
Fixed Income Fund (Incl. Income)	■	16.36	16.21	+ 0.9%	+ 63.6%
40-Bond Index	■	52.60	54.48	-3.5%	-20.8%
40-Bond Index (Incl. Income)	■	235.84	238.87	-1.3%	+ 43.7%

Average Yield to Maturity:
Dec. 31, 1973 8.64%
Mar. 31, 1974 8.93%



Fixed Income Fund

Investment Portfolio

Bonds/Convertible Bonds 79% Par Value

Market Value Mar. 31, 1974

\$200,000	Prov. of Alta. 8½% Apr. 15/90 Prepay Apr. 15/75	\$ 201,000
150,000	Man. Hydro 9% Apr. 1/90 Prepay Apr. 1/75	150,000
250,000	Prov. of Nova Scotia 8½% Aug. 1/94	238,845
225,000	Hydro Elec. Pwr. Comm. of Ont. 9% Apr. 1/94	226,125
325,000	Prov. of Quebec 8½% Mar. 1/99	310,375
200,000	Prov. of Sask. 8¼% Dec. 1/90	199,000
250,000	Prov. of Sask. 8¼% Dec. 3/98	235,000
400,000	Alum. Co. of Canada 9½% Jan. 2/91	404,000
300,000	Ashland Oil Can. Conv. 5% Jan. 15/93	270,000
600,000	BM-RT 6¼% Apr. 1/78 Cum. Wts.	570,000
500,000	Bank of Montreal 7% April 1/78—7½% Apr. 1/92	475,000
400,000	Bank of Nova Scotia 6¼% Jul. 1/78—7% Jan. 1/92	373,000
375,000	Bank of Nova Scotia 7½% Jan. 1/88 Prepay Jul. 1/79	358,125
200,000	Bell Canada 8% May 1/77 Ext. 8¼% May 1/90	196,000
300,000	Bell Canada 9½% Aug. 14/90	303,000
400,000	Bell Canada 8½% Aug. 1/93	368,000
300,000	Beneficial Fin. of Canada 9% Jan. 2/91 Prepay Jan. 2/76	298,500
500,000	Canadian Imperial Bank of Commerce 7¼% Dec. 15/92 Prepay Dec. 15/78	472,500
120,000	Consumers Gas Conv. 5½% Feb. 1/89	102,000
200,000	Distillers Corp.—Seagrams 7% Dec. 15/78	188,000
300,000	Dominion Foundries and Steel 9% Feb. 1/91	297,000
500,000	General Motors Accept. 7¼% Apr. 28/75	500,000
200,000	Great Plains Dev. Conv. 5% Feb. 1/93	180,000
150,000	Gulf Oil 8½% Dec. 1/89 Prepay Dec. 1/74	150,000
200,000	Gulf Oil 8½% Sept. 15/75 Ext. 8½% Sept. 15/90	200,000
200,000	Hudson Bay Mining & Smelting 9% Jun. 15/91	197,000
250,000	Imperial Oil 8½% Aug. 15/89 Prepay Aug. 15/74	250,000
300,000	Interprovincial Pipe Line 9½% Dec. 1/90	303,000
300,000	John Labatt 9¼% Sept. 1/90	300,000

Bonds/Convertible Bonds 79% Par Value

Market Value Mar. 31, 1974

200,000	John Labatt 9% Mar. 15/94	196,000
200,000	Maritime Tel. & Tel. 8¼% Jun. 15/77 Ext. Jun. 15/90	198,500
300,000	Molson Industries 8¼% Nov. 1/91	276,000
100,000	N.B. Tel. 9¼% Jun. 1/90 Prepay Jun. 1/75	100,000
200,000	Noranda Mines 9¼% Oct. 15/90	201,500
400,000	Pacific Petroleum Conv. 5% May 1/92	392,000
350,000	Royal Bank of Canada 7% Apr. 15/91 Prepay Apr. 15/77	334,250
100,000	Simpsons-Sears Acc. 9½% Feb. 1/90 Prepay Feb. 1/75	101,000
400,000	Steel Co. Canada 9¼% Nov. 1/90	402,000
200,000	TDRI Conv. 5½% Feb. 15/93	230,000
225,000	TransCanada Pipe 10% Jun. 20/90	231,750
400,000	TransCanada Pipe 9¼% Sept. 20/90	406,000
		<u>\$11,384,470</u>

Reserve 21%

Cash & Short-Term Notes	\$ 3,139,715
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Total Assets as at Market Mar. 31, 1974

\$14,524,185

The Fixed Income Fund declined 1.1% during the first quarter of 1974 which compares to a decline in the 40-Bond Index of 3.5%. Including income the Fund was up 0.9% while the Index was off 1.3%.

Wide fluctuations in interest rates were prevalent during the first quarter of 1974. Short term rates, which closed the year at approximately 10%, moved down during this period to a level close to 8.50%, however, the decline was short lived and these rates moved rapidly higher again. While they did not close the quarter at the 10% level, it has subsequently been reached. Long term Government of Canada rates moved with the same volatility—first down then sharply higher. On the other hand, provincial and corporate rates moved consistently higher during the quarter. For the first two months the upward movement was rather mild, however, during March there was a rapid escalation of these rates. As an example, top rate provincials moved from approximately 8.50% to 8.90% at the end of March. Corporates on the other hand moved from 8.75% to 9.20% in the same period.

While the Canadian market had a definite upward trend of interest rates, most of the movement occurred late in the period. This was in contrast to the U.S. market where rates moved steadily higher throughout the quarter with very little, if any, downward reaction. The main difference between the two markets was the large calendar facing the U.S. during the whole period. In contrast, Canada's calendar was very light through the first two months before picking up substantially in March. It is likely that the increased volume of borrowing in our market will continue and the pressure from this source is not likely to lessen for some time to come.

Regardless of the calendar facing the long term fixed income markets, the pressure from inflationary forces has been the main reason for the substantial increase in rates which is continuing into the second quarter. As it is not likely that there will be much lessening of the problems caused by inflation, we do not anticipate any major reaction in the bond market. While undoubtedly some technical movements to higher prices and lower yields can occur and will do so, a long term trend will need improvement on the inflationary front before it can develop.

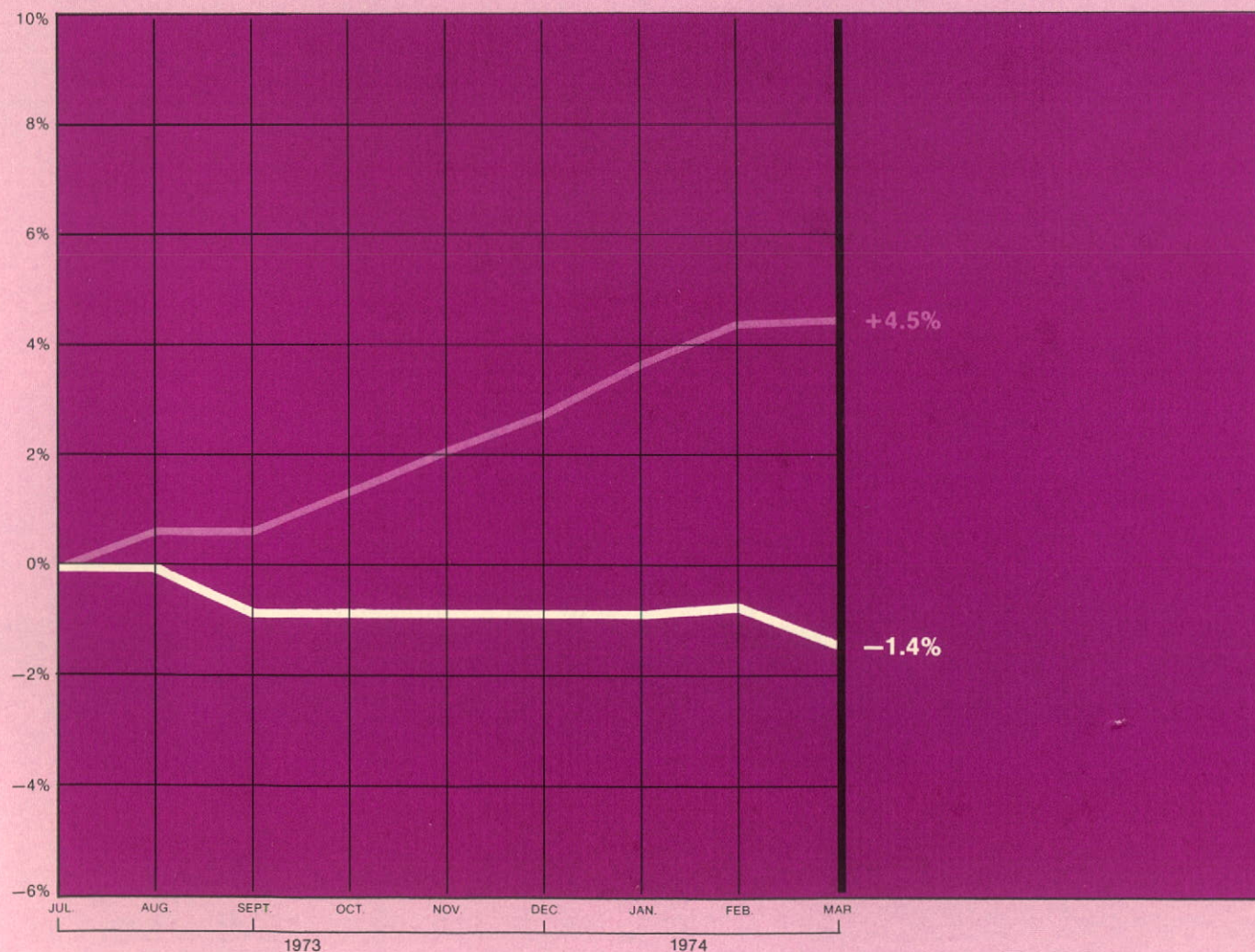
The upward movement of interest rates has had an accompanying effect on the value of the Canadian dollar. Our dollar which traded at an average price of \$1.00 compared to the U.S. throughout 1973 moved upward trading at times higher than \$1.03. While there are many factors that effect the value of our dollar, a major one is the interest rate differential. As Canadian rates kept pace on the upside with the U.S., other factors came into play that caused our dollar to move higher. Although there was major intervention on the part of the Bank of Canada during February, it appears at the present time that they are willing to let the Canadian dollar remain in the \$1.03 range.

The policy of the Fixed Income Fund during this period has been to maintain large cash reserves. This can be noted by the increase in reserve to 21% as of March 31, 1974 from 14% at year end. This reserve will be committed to the market when we feel that some stability has been reached. It is likely that some of it will be directed toward the mid term area where yields are very close to those available in the long end of the market. If, as, and when a normal yield curve develops, this area should provide a good chance for capital gain.

Portfolio Composition:

	Dec. 31, 1973	Mar. 31, 1974
Reserve	14%	21%
Canadas	0%	0%
Provincials	9%	11%
Corporates	67%	60%
Conv. Debs.	10%	8%
	<u>100%</u>	<u>100%</u>

Comparisons between	GRAPH COLOUR	VALUE MAR. 31/74	VALUE DEC. 31/73	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Mortgage Fund	□	\$ 9.86	\$ 9.92	-0.6%	-1.4%
Mortgage Fund (Incl. Income)	■	10.45	10.28	+ 1.7%	+ 4.5%



The unit value of the Mortgage Fund declined from \$9.92 to \$9.86 during the first quarter of 1974 being a drop of 0.6%. Including income, the mortgage units were up 1.7%. During this period mortgage rates acted somewhat differently than those in the bond market. On large multi-unit situations, supply of funds seemed to outrun the demand and while bond rates were moving higher, mortgages remained relatively unchanged. Secondary offerings of mortgages were well received at 9½%. As the quarter grew to a close, some effect was being felt from rising bond yields and rates headed higher.

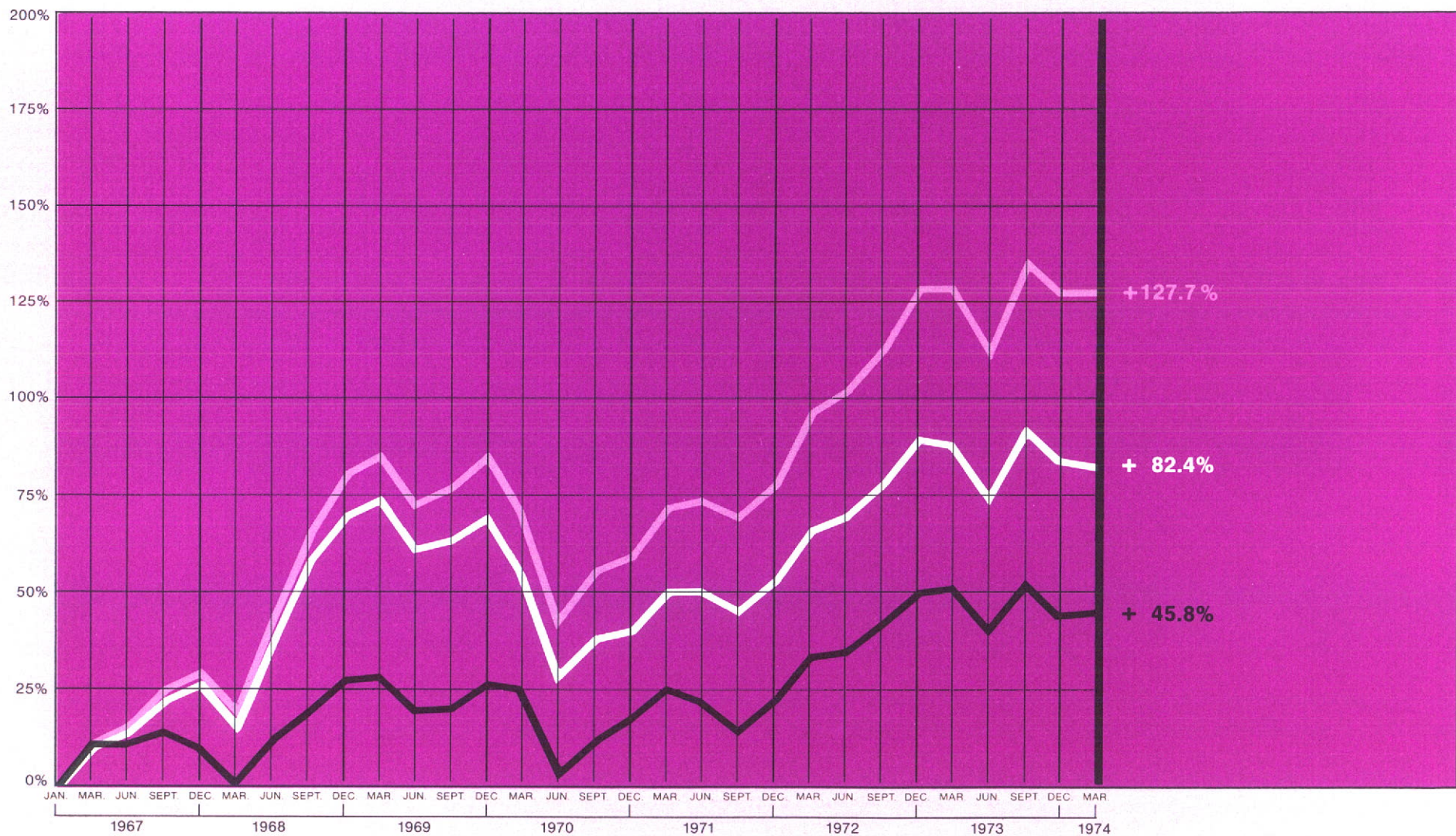
One area where rates moved up substantially during the quarter was in the single family re-sale market. Rates increased to 10¼% — 10½%, up ½ to ¾ of 1%. This abnormal spread which developed between the single family and the multi-family new project rates will not likely continue for any length of time.

Because of the different characteristics of the normal lenders in each market, it does take time for changes to filter through the system. For the multi-family project, if rates do not go up, money will be directed towards the bond market as rates approach the 9½% to 9¾% area. In the single family area, the tightness in the banking system and the high cost of money to trust companies—both normal suppliers to this market—are having an adverse effect on rates.

The Mortgage Fund continues to be invested entirely in NHA mortgages and this policy will be continued.

Canadian Equity Fund

Comparisons between	GRAPH COLOUR	VALUE MAR. 31/74	VALUE DEC. 31/73	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Canadian Equity Fund	□	\$ 18.24	\$ 18.32	−0.4%	+ 82.4%
Canadian Equity Fund (Incl. Income)	■	22.77	22.73	+ 0.2%	+ 127.7%
T.S.E. Industrial Index	□	215.29	213.67	+ 0.8%	+ 45.8%



Canadian Equity Fund

Investment Portfolio

Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Mar. 31 /74	Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Mar. 31 /74
Banks—14.0%				Mines & Metals—23.4%			
25,000	Bank of Nova Scotia	37	\$ 925,000	40,000	Alcan Aluminium	32	\$ 1,280,000
25,000	Bank of Nova Scotia Rights	.38	9,500	30,000	Bethlehem Copper Corp.	14	420,000
49,000	Cdn. Imperial Bank of Commerce	29	1,421,000	19,500	Cominco	30 ⁷ / ₈	602,062
30,000	Royal Bank of Canada	36 ¹ / ₂	1,095,000	18,000	Hudson Bay Mining & Smelting	24 ⁵ / ₈	443,250
24,000	Toronto-Dominion Bank	39 ¹ / ₂	948,000	20,000	International Nickel Co.	34 ⁵ / ₈	692,500
			\$ 4,398,500	14,000	McIntyre Porcupine Mines	52	728,000
Beverages—4.3%				17,500	Mattagami Lake Mines	32	560,000
20,000	Brights, T. G. Class A	13 ¹ / ₂	\$ 270,000	15,000	Noranda Mines Class A	49 ³ / ₈	740,625
16,000	Distillers Corp. Seagrams	43	688,000	27,500	Placer Development	22 ¹ / ₂	618,750
7,500	Hiram Walker Gooderham & Worts	52 ¹ / ₄	391,875	25,500	Rio Algom Mines	33 ¹ / ₂	854,250
			\$ 1,349,875	30,000	Sherritt-Gordon Mines	12 ⁵ / ₈	378,750
Communications—6.7%							\$ 7,318,187
21,500	Southam Press	27 ¹ / ₂	\$ 591,250	Office Equipment—1.6%			
37,000	Standard Broadcasting Corp.	8 ¹ / ₂	314,500	10,000	Moore Corporation	48 ¹ / ₄	\$ 482,500
43,500	Thomson Newspapers	11 ³ / ₈	494,812	Oil & Gas—15.4%			
40,500	Toronto Star Class B	16 ³ / ₄	678,375	15,000	Aquitaine Co. of Canada	30 ¹ / ₄	453,750
			\$ 2,078,937	6,000	Bow Valley Industries	28	168,000
Construction & Material—1.5%				15,000	Cdn. Superior Oil	55 ¹ / ₂	832,500
25,000	Genstar	19	\$ 475,000	10,000	Gulf Oil Canada	35 ¹ / ₂	355,000
Forest Products—10.4%				10,000	Home Oil Co. Class A	52 ¹ / ₄	522,500
69,000	Abitibi Paper Co.	12 ⁵ / ₈	\$ 871,125	15,000	Hudsons Bay Oil & Gas Co.	43 ³ / ₄	656,250
15,000	British Columbia Forest Products	19 ¹ / ₂	292,500	22,000	Husky Oil	21 ⁵ / ₈	475,750
32,500	Domtar	27 ¹ / ₈	881,563	20,000	Pacific Petroleums	30 ¹ / ₂	610,000
31,000	MacMillan Bloedel	31 ³ / ₈	972,625	26,000	Shell Canada Class A	18 ⁵ / ₈	484,250
14,500	Price Co.	15 ⁵ / ₈	226,563	15,000	Siebens Oil & Gas	17 ¹ / ₄	258,750
			\$ 3,244,376				\$ 4,816,750
Insurance—8.3%				Real Estate & Hotels—0.8%			
13,000	Crown Life Insurance Co.	66 ¹ / ₂	\$ 864,500	36,000	Commonwealth Holiday Inns of Canada	7 ¹ / ₈	\$ 256,500
12,000	Great West Life	64	768,000	Steel—3.8%			
60,000	MICC Investments	16 ¹ / ₄	975,000	16,000	Algoma Steel Corp.	25 ⁵ / ₈	\$ 402,000
			\$ 2,607,500	25,000	Steel Co. of Canada	31 ⁵ / ₈	790,625
Merchandising—2.9%							\$ 1,192,625
4,000	Canadian Tire Corp. Class A	39 ¹ / ₂	\$ 158,000	Trust & Loan—1.2%			
22,000	Simpsons-Sears Class A	12 ¹ / ₂	275,000	14,000	Huron & Erie Mortgage	27 ¹ / ₄	\$ 381,500
20,500	Woodward Stores Class A	23 ³ / ₄	486,875	Reserve—5.7%			
			\$ 919,875		Cash & Short Term Notes		\$ 1,788,703
Total Assets at Market, March 31, 1974							\$31,310,828

Portfolio Balance

	Mar. 31/73	Dec. 31/73	Mar. 31/74
Common Stocks & Equivalents	97.6%	95.7%	94.3%
Reserve	2.4	4.3	5.7
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Portfolio Composition

	Mar. 31/73	Dec. 31/73	Mar. 31/74
Consumer Products & Services	46.6%	40.8%	38.2%
Cyclical	30.4	33.0	39.1
Energy	12.0	16.1	15.4
Regulated	2.3	—	—
Technology	6.3	5.8	1.6
Reserve	2.4	4.3	5.7
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Largest Common Stock Holdings as at March 31, 1974 (By Market)

	Percent of Total Portfolio
Canadian Imperial Bank of Commerce	4.5%
Alcan Aluminium	4.1
Royal Bank of Canada	3.5
MICC Investments	3.1
MacMillan Bloedel	3.0

The rise in the Canadian stock market which started in December carried the Toronto Stock Exchange Industrial Index up 7% to approximately 228 by mid March. In the last two weeks of the quarter, prices fell sharply and the Index closed at 215.29. Over the three months the Index rose 0.76%.

For the twelve months ending 31 March 1974, the T.S.E. Industrial Index declined 3.79%.

The golds continued to lead the market in the quarter being up 40% followed by general manufacturing, which was up 17%, real estate up 16%, construction and material up 13%, food processing up 10% and steels up 10%.

The weakest groups were the industrial mines, down 5% on the quarter, followed by the communications, down 4%, trust and loan down 3%, and the miscellaneous industrials down 1.56%.

The price-earnings ratio of the Toronto Stock Exchange Industrial Index, based on the latest 12 months earnings, was 11.40 at the end of March 1974.

Price Earnings Ratio—T.S.E. Industrial Index

Dec. 31/72	Mar. 31/73	Dec. 31/73	Mar. 31/74
17.6	16.3	12.6	11.4

The price-earnings ratio remains well below the level it was at the bottom of the 1970 stock market. The yield on the Index hovered just above 3.5% for the quarter.

There were several changes which took place in the portfolio during the quarter. Two stocks, Ranger Oil and Canadian Cablesystems, were eliminated. Existing positions in the following stocks were increased: MacMillan Bloedel, Steel Company of Canada, Bethlehem Copper Corp., Sherritt Gordon Mines and Cominco. Two new stocks, International Nickel Company and Price Company were added to the portfolio.

The Fund was almost 40% invested in the cyclical category at 31 March 1974. This was an increase from 33% at year end and 30% a year previous. The consumer sector was down to 38% from 41% a year ago.

The cash reserves remained at a low level (4.7%) and was only slightly above where it stood at year end.

International Equity Fund

Comparisons between

International Equity Fund

GRAPH
COLOUR

VALUE
MAR. 31/74

VALUE
DEC. 31/73

PERCENT CHANGE
OVER QUARTER

PERCENT CHANGE
SINCE INCEPTION

International Equity Fund (Incl. Income)

Dow Jones Industrial Average



\$ 11.14

\$ 12.11

—8.0%

+ 11.4%



13.11

14.19

—7.6%

+ 31.1%



846.68

850.86

—0.5%

+ 7.8%



International Equity Fund

Investment Portfolio

Par Value Shares	Convertible Securities or Common Stocks	(U.S.) Market Price	(CDN.) Market Value Mar. 31/74	Par Value Shares	Convertible Securities or Common Stocks	(U.S.) Market Price	(CDN.) Market Value Mar. 31/74
Banks—12.8%				Miscellaneous—7.5%			
15,000	Citizens & Southern National Bank, of Georgia	15 ³ / ₄	\$ 229,729	7,000	Caterpillar Tractor	59	\$ 401,601
11,000	First Chicago Corp.	76 ¹ / ₄	815,600	15,000	Huyck Corporation	25	364,650
5,164	First International Bank Shares	53	266,138	1,500	Masco Corp.	40 ³ / ₄	59,438
11,000	J. P. Morgan & Co. Inc.	63 ⁷ / ₈	683,233	7,000	Minnesota, Mining & Manufacturing Company	74 ¹ / ₄	505,405
8,000	North Carolina National Bank	32 ³ / ₄	254,769				\$ 1,331,094
			\$ 2,249,469	Office Equipment—15.9%			
Drugs—6.7%				4,000	Automatic Data Processing	45 ¹ / ₈	\$ 175,518
8,675	Merck Inc.	80 ⁷ / ₈	\$ 682,227	2,000	Honeywell	75 ⁷ / ₈	147,562
8,000	Upjohn Company	65 ¹ / ₄	507,593	5,918	I.B.M.	235 ³ / ₄	1,356,662
			\$ 1,189,820	10,000	Xerox Corporation	115	1,118,260
							\$ 2,798,002
Electrical Equipment—2.5%				Personal Care—0.7%			
8,200	General Electric Company	54 ¹ / ₄	\$ 432,572	2,000	Chesebrough-Pond's	60 ³ / ₄	\$ 118,147
Electronics—9.3%				Photography—3.3%			
13,200	A.M.P. Incorporated	40	\$ 513,427	5,625	Eastman Kodak	106 ¹ / ₈	\$ 580,477
2,000	Farion Electric	26	50,565	Retail Trade—14.4%			
15,000	Perkin-Elmer Corp.	36	525,096	15,000	House of Fabrics	7 ³ / ₄	\$ 113,041
20,000	Sony Corp.	28 ³ / ₄	559,130	23,000	S. S. Kresge Co.	31 ³ / ₈	701,708
			\$ 1,648,218	20,000	Marcor Inc.	24 ¹ / ₄	471,614
Foods & Beverages—2.2%				9,000	J. C. Penny Co.	68 ⁵ / ₈	600,579
3,700	Coca Cola Co.	110 ¹ / ₈	\$ 396,217	8,000	Sears-Roebuck	83 ¹ / ₈	646,646
							\$ 2,533,588
Hospital Supply—7.6%				Service—3.0%			
10,000	Baxter Laboratories	39 ⁷ / ₈	\$ 387,744	13,000	American Express	41 ³ / ₄	\$ 527,770
7,000	Johnson & Johnson	109	741,941	Utilities—3.9%			
5,000	Medtronic Inc.	45	218,790	8,000	Continental Telephone Corp.	16 ¹ / ₂	\$ 128,357
			\$ 1,348,475	11,600	Southern California Edison	19 ³ / ₄	222,777
Insurance—1.8%				10,000	Southern New England Telephone	34 ¹ / ₄	333,047
10,000	Colonial Penn Group	32 ³ / ₄	\$ 318,461				\$ 684,181
				Reserve—8.4%			
					Cash & Short Term Notes		\$ 1,475,707
Total Assets as at March 31, 1974							\$17,632,198

Portfolio Balance

	Mar. 31/73	Dec. 31/73	Mar. 31/74
Common Stocks & Equivalents	90.9%	94.0%	91.6%
Reserve	9.1	6.0	8.4
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Portfolio Composition

	Mar. 31/73	Dec. 31/73	Mar. 31/74
Consumer Products & Services	40.2%	46.5%	49.2%
Cyclical	4.5	7.7	7.5
Energy	2.4	2.8	—
Regulated	5.2	3.7	3.9
Technology	38.6	33.3	31.0
Reserve	9.1	6.0	8.4
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Largest Common Stock Holdings as at March 31, 1974 (By Market)

	Percent of Total Portfolio
International Business Machines Corp.	7.7%
Xerox Corp.	6.3
First Chicago Corp.	4.6
Johnson & Johnson	4.2
S. S. Kresge Co.	4.0

The gentle recovery which occurred during December in the U.S. stock market gave way to a decline in January which lasted until February prices then advanced until mid March when the market turned down again and closed on a downtrend.

Performance of Major Indexes

	31 March 1974	First Quarter Change %	% Change Last 12 Months
Dow Jones Industrials	846.68	-0.49	-10.97
Standard & Poor 425	105.08	-3.72	-15.94
Standard & Poor 500	93.98	-3.65	-15.72
N.Y.S.E. Composite	50.21	-3.09	-15.73

Since we had a relatively flat market during the first quarter of 1974, there was only a slight increase in price-earnings ratios.

	Close March 31	Estimated 1974 Earnings	Price Earnings Ratio
Standard & Poor 425	105.08	\$ 7.40	15
Dow Jones Industrials	846.68	\$73.00	12

These continue to be historically low ratios and remain below the levels reached at the bottom of the 1970 stock market decline.

During the quarter, American Home Products, ARA Services, Atlantic Richfield, Avon Products and Digital Equipment were eliminated.

The position in Johnson & Johnson, Baxter Laboratories, Automatic Data Processing, Sears Roebuck, J. C. Penney and S. S. Kresge were all increased.

The top five stocks account for 26% of the portfolio. IBM remains the largest holding, and Xerox and First Chicago Corporation are second and third. Johnson & Johnson has replaced J. P. Morgan as the fourth largest. S. S. Kresge has replaced Merck in the fifth position.

Consumer products and services are now almost 50% of the Fund and the technology sector was 31% at 31 March 1974.

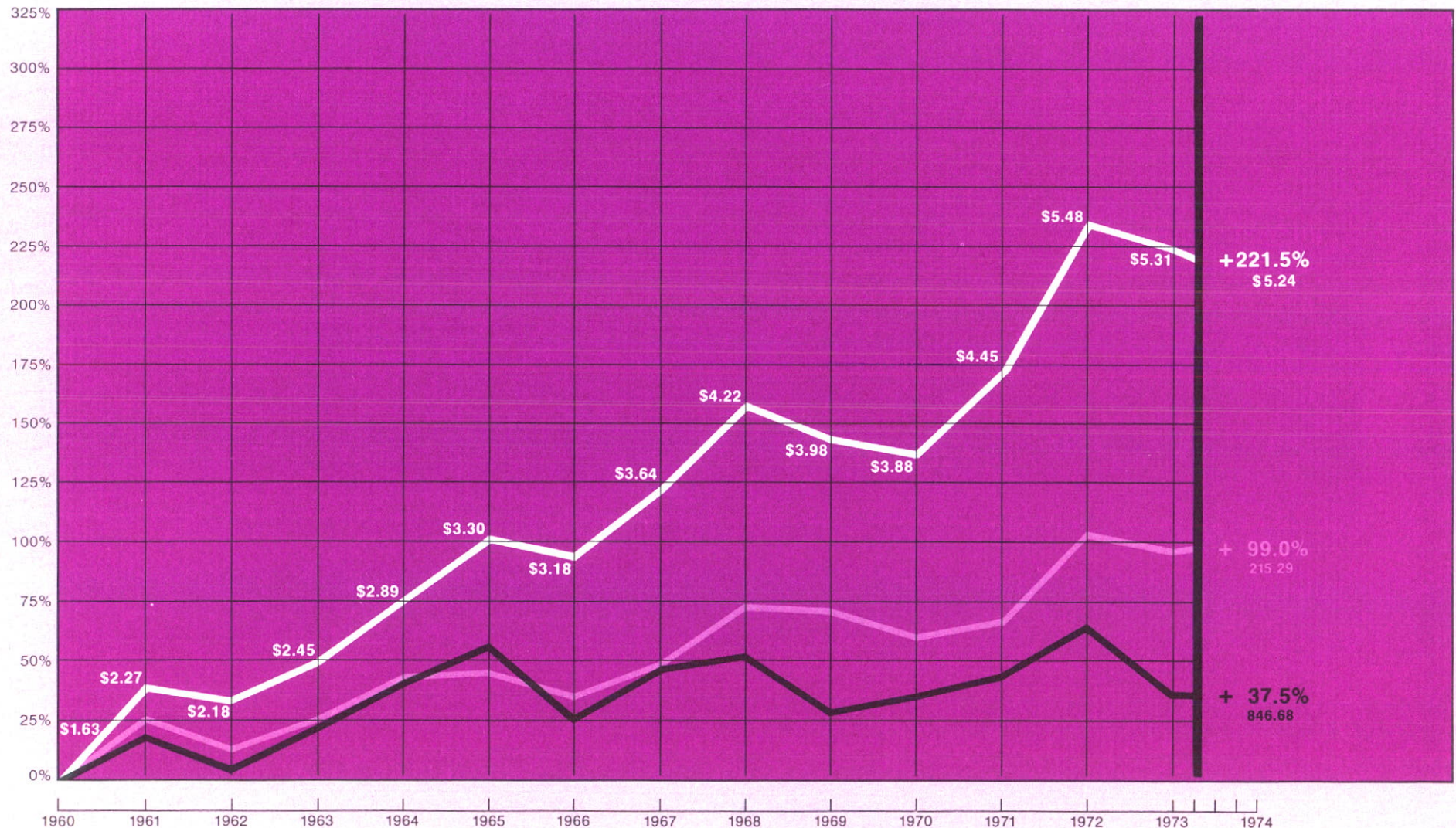
The cash reserve was 8.4% at the end of the quarter, just slightly above the 6% level at year end 1973.

Andreae Equity Investment Fund Limited

Comparisons between	COLOUR GRAPH	VALUE MAR. 31/74	VALUE DEC. 31/60	PERCENT CHANGE SINCE DEC. 31/60
Andreae Equity Fund (Excl. Div.)	□	\$ 5.24	\$ 1.63	+ 221.5%
T.S.E. Industrial Index	■	215.29	108.20	+ 99.0
Dow Jones Industrial Average	■	846.68	615.89	+ 37.5

The Andreae Equity Investment Fund is an open-end mutual Fund managed by International Trust.

These comparisons are based upon closings from December 31, 1960 to March 31, 1974



Unit Values of Diversified Investment Funds Since Inception

	Fixed Income Fund			Mortgage Fund			Canadian Equity Fund			International Equity Fund		
	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.
1966 Dec. 31	\$10.00		\$10.00				\$10.00		\$10.00	\$10.00		\$10.00
1967 Mar. 31	10.35	\$.15250	10.50				11.02	\$.08496	11.11	11.34	\$.07453	11.42
Jun. 30	9.93	.15802	10.24				11.45	.06572	11.61	11.55	.03725	11.67
Sept. 30	9.64	.15580	10.10				12.25	.08703	12.51	12.60	.05288	12.79
Dec. 31	9.52	.15734	10.14				12.65	.09396	13.02	13.28	.05561	13.54
1968 Mar. 31	9.31	.15230	10.08				11.70	.04903	12.09	11.70	.08460	12.01
Jun. 30	9.27	.15638	10.20				13.82	.11686	14.41	13.01	.08619	13.44
Sept. 30	9.40	.14994	10.51				15.80	.08629	16.57	13.05	.04973	13.54
Dec. 31	9.45	.14652	10.73				17.06	.11004	18.00	13.67	.05368	14.24
1969 Mar. 31	9.52	.16292	11.00				17.43	.15656	18.56	12.43	.06699	13.02
June 30	9.42	.16498	11.07				16.17	.15326	17.37	11.90	.06998	12.53
Sept. 30	9.37	.18507	11.23				16.39	.16343	17.79	11.62	.12530	12.37
Dec. 31	9.05	.20602	11.09				16.99	.11949	18.57	11.40	.12480	12.27
1970 Mar. 31	9.26	.17651	11.57				15.54	.15469	17.15	10.72	.12092	11.66
June 30	9.18	.18571	11.70				12.93	.13116	14.40	8.76	.11073	9.64
Sept. 30	9.30	.19003	12.10				13.82	.17910	15.60	9.83	.06254	10.89
Dec. 31	9.64	.19492	12.80				14.03	.13295	15.98	10.62	.04831	11.82
1971 Mar. 31	9.82	.19593	13.33				15.03	.12995	17.28	11.84	.05244	13.24
June 30	9.64	.18892	13.31				15.04	.12842	17.44	12.30	.04849	13.81
Sept. 30	9.90	.20070	13.96				14.59	.11095	17.05	11.79	.05142	13.30
Dec. 31	10.06	.19743	14.46				15.19	.10311	17.87	12.32	.05237	13.96
1972 Mar. 31	10.00	.18497	14.64				16.60	.11675	19.67	13.30	.04940	15.14
June 30	9.93	.18826	14.81				16.95	.11314	20.21	13.46	.04650	15.37
Sept. 30	9.97	.18887	15.16				17.78	.09474	21.32	13.92	.05572	15.96
Dec. 31	10.16	.18626	15.73				18.95	.12469	22.88	14.87	.04958	17.11
1973 Mar. 31	10.13	.18029	15.96				18.87	.09384	22.90	13.94	.06410	16.11
Jun. 30	9.88	.17908	15.85				17.50	.12377	21.38	13.22	.05627	15.36
Sept. 30	9.77	.19265	15.99	9.92	.13906	10.07	19.24	.10939	23.64	13.98	.06974	16.32
Dec. 31	9.71	.19317	16.21	9.92	.20852	10.28	18.32	.16836	22.73	12.11	.05223	14.19
1974 Jan. 31	9.74	.06616	16.38	9.92	.07992	10.37	18.32	.02153	22.75	11.45	.01196	13.44
Feb. 28	9.73	.06128	16.46	9.93	.07038	10.44	18.91	.04352	23.53	11.26	.01289	13.23
Mar. 31	9.61	.06593	16.36	9.86	.07408	10.45	18.24	.06004	22.77	11.14	.02506	13.11

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INTERNATIONAL TRUST COMPANY

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